10 March 2012

Mr. Charlie Cobb
Alaska Department of Natural Resources
State Dam Safety Engineer
Division of Mining, Land and Water

Cc to: Doug Ballou, Joe Kurtak, James Fincher, Steve McGroarty, Timothy Pilon, Sharmon Stambaugh, Lisa Krebs

Dear Mr. Cobb:

At 6:00 PM last night (9 March 2012) we noticed a pool of water formed on the road beneath the tailings storage facility. On inspection of the dam crest, it was observed that the dam was overtopping. The flow was just initiated, because several people had been active in the area prior on the same day, including me, and nothing was noticed.

I would estimate the flow to be 20 gpm for a period of 18 hours, resulting in a release of approximately 22,000 gallons so far. It is still overtopping at the time of this notification.

Please refer to Figure 1 for the locations of the various items that will be referenced in this notification.

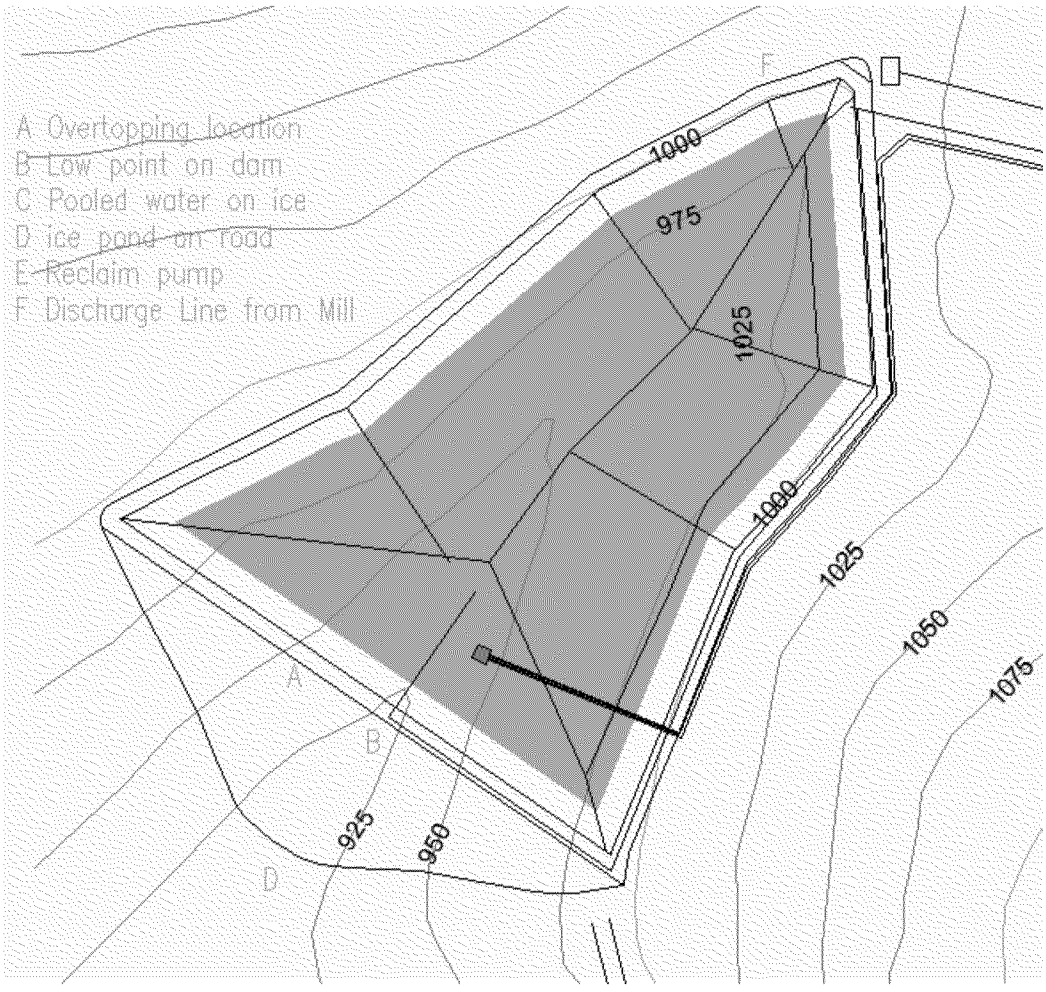

Figure 1: Overtopping Situation at the TSF

The overtopping site (A) is not the low point of the dam; the "Vee" notch area that slumped 18 inches due to permafrost melting (B). It is estimated to be 45 ft northwest of the low point. There is also evidence pooling on the western corner of the dam (C) and a pool of water collected at the low point in the valley access road (D).

We have not added any fill to the TSF since we were issued with the non-compliance order by the BLM on 13 Jan 2012, and have only recirculated water to and from the mill. Water is send to the mill from beneath the ice near the dam at the reclaim barge (E) and returns to the pond on the upstream side (F).

As we have reported weekly, the pond has been operated on a negative water balance since the date of the NCOD, as is evidenced by the level of the ice dropping and a tension crack forming in the ice along the edge of the dam crest.

The ice appears to have rotated and been pushed over the dam crest. The water is flowing from beneath the ice, between it and the dam liner. It is unclear why the water is overtopping at the location it is rather than the low point of the dam.

Our Plan of Action is as Follows:

1. To stem the flow, we have reduced circulation of water to and from the mill. We have not stopped adding the recirculation water to the pond, as stopping the flow in both lines will make them both freeze.

2. We will begin hauling water in our 2500 gallon vacuum truck to the FTDS collection pond for temporary storage and will continue to do so until the flow is stopped.

3. We are surveying the elevation of the breach, the low point in the dam, and the low point on the ice level adjacent to the reclaim barge.

4. We will collect the frozen water on the access road and return it to the pond.

Please see the attached photographs of the situation.

Regards,

R. Goodwin

Richard Goodwin
President, Mystery Creek Resources

Figure 2: Site A - Water Overtopping Dam (Mar 9, 7 PM)

Figure 3: Site D - Water Pond on Access Road (Mar 9, 7PM)

Figure 4: Site A - Water Overtopping Dam (Mar 10, 11 AM)
Note water flowing between ice and liner.

Figure 5: Site B – The Gauge at the Low Point in the Dam, looking towards Site B past Snow Machine

Figure 6: Site C - Pond on the Western End of Dam